Title: **Understanding UBO Pharmacy Rates and   2011 Updates**

Session: **W-1-1530**

- Introduce key concepts and definitions for understanding UBO pharmacy rates
- Provide background on rate-setting approach
- Provide a few Pharmacy Rate File details
- Overview pharmacy communication activities
- Demo the Pharmacy Price Estimator
- Answer your questions

UBO Pharmacy Pricing Policy Disclaimer

- The UBO Pharmacy Rate File does not limit availability of pharmaceuticals
- It establishes which pharmaceuticals can be billed
- It establishes what will be charged if billed

Pharmacy Rate-Setting Terminology

- The Generic Sequence Number (GSN) refers to a set of National Drug Codes (NDCs) that have the same:
  - Active ingredient(s)
  - Strength
  - Dosage form
- For each GSN cohort, we use the unit measure price (price per pill, price per ml, price for each) for the individual NDCs to determine the overall unit measure price for the GSN
- The GSN unit measure price is then used to price the individual NDCs in the UBO pharmacy rate file

- Prime Vendor Program (PVP):
  - Reflects actual negotiated contract prices between the government and pharmaceutical vendors
- Average Wholesale Price (AWP)
  - Used currently by TRICARE, Medicaid, most commercial payers, and historically by Medicare
  - Data widely available (Red Book, Blue Book)
  - Not defined by law or regulation
  - Does not account for the discounts available to various payers or reflect actual costs

UBO Pricing Background

- Uniform Business Offices Support Three Cost Recovery Programs:

    1) Third Party Collections

    2) Medical Services Account

    3) Medical Affirmative Claims

- 10 USC Section 1095 et seq. authorizes these programs to recover from third-party payers "reasonable charges for health care services" provided to covered beneficiaries.
    - Rates Vary by Payer
    - Private Individuals and Companies
    - Other Federal Agencies
    - Special Programs

The two pharmacy data sources used for UBO rate setting:

1. The Managed Care Pricing File (MCPF)

   - The MCPF is a monthly pharmacy data file that is developed by the Defense Supply Center in Philadelphia (DSC-P)

   - This file is the basis for current pharmacy rates

   - It is modified from its original form (sent by First Databank) to include such data as Prime Vendor Pricing

The two pharmacy data sources used for UBO rate setting:

2. The Pharmacy Data Transaction System (PDTS)

   – PDTS houses pharmacy transactions that provide health care to MHS beneficiaries regardless of dispensing method

   – MHS dispensing methods are categorized as: MTF-dispensed, civilian retail pharmacy networks, and TRICARE Mail Order Pharmacy (TMOP)

The Managed Care Pricing File Details

- The Defense Supply Center – Philadelphia (DSC-P) provides the Managed Care Pricing File as the raw source of pharmaceutical data for the UBO rate development process

- For each National Drug Code (NDC), the MCPF provides either Average Wholesale Price (AWP), Prime Vendor Program (PVP), or Federal Supply Service (FSS) cost data

- MCPF AWP is reduced 15% from the original AWP cost supplied by First Databank (which provides the raw monthly Rx data to DSC-P)

- Unit measure cost (e.g., cost per pill) is derived from the NDC, cost and the package size/case pack size

- The UBO Rx rate file contains both prescription and over-the-counter (OTC) pharmaceuticals

Current Sources for Pharmacy Pricing Data

Pharmacy Data Transaction System (PDTS) Details

- The PDTS database represents pharmacy transactions that provide health care to MHS beneficiaries regardless of the method of dispensing. Dispensing methods are: MTF dispensed, civilian retail pharmacy networks, and TRICARE Mail Order Pharmacy (TMOP)*

- When a pharmaceutical is dispensed through the civilian retail pharmacy network, the MHS receives a record of that script, which is housed within PDTS

- One of the submitted fields of that record is the Submitted Ingredient Cost ($ amount allowed by TRICARE), which is defined as: The pharmaceutical ingredient cost as negotiated by the PBM (Pharmacy Benefit Manager) and the pharmacy*

* SOURCE: Pharmacy Data Transaction Service (PDTS) Interface Control Document Describing the Data Exchange to the MDR Baseline – Approved Version March 23,2007.

Benefits of Using Retail PDTS Data

- The PDTS retail prices provide an accurate snapshot of TRICARE retail pharmacy reimbursement
- PDTS data are part of a standard corporate system and are available and auditable

UBO Pharmacy Rating Objective

- To develop a UBO pharmacy rate methodology that will price pharmaceuticals in a manner comparable to what TRICARE will allow for similar pharmaceuticals
- The methodology must be developed based on readily available MHS data sources
- The methodology must be readily applicable to the broad spectrum pharmaceuticals used in the MHS – i.e., all of the NDCs in the Managed Care Pricing File (MCPF)
- It must be auditable

UBO Pharmacy Pricing History

Period	Unit Measure Price of All NDCs with a GSN	Dispensing Fee	Other
2004 & 2005	Lowest	Added	Includes OTCs
2006	Median	Added	Includes OTCs
Jul 2007	Median AWP	None	Excludes OTCs
Jan 2008	Median AWP	None	Includes diabetic OTCs only
Oct 2008	Median AWP	None	Includes OTCs
Jan 2010 – Feb 2011	Median Retail PDTS	$2.00	Includes OTCs

General Pricing Methodology Rules

- Uses the median Average Wholesale Price (AWP) unit measure (e.g., per tablet) price of all National Drug Codes (NDCs) within a Generic Sequence Number (GSN) and applies that rate to all of the NDCs within that GSN

- A GSN is a grouping of all NDCs with the same active ingredient(s), strength, and dosage form

- When there is no AWP unit measure price for a GSN, use the median Prime Vendor Price (PVP) unit measure price

- The AWP covers supply, personnel, and facility costs

Current UBO Retail PDTS Pharmacy Rating Methodology

- Begin with a monthly full release of the DSC-P Managed Care Pricing File (e.g., for the February 2011 rate update, the
1 November 2010 MCPF release was the source data file)

- Group NDCs by Generic Sequence Number (GSN) and Unit of Measure (UM) into cohorts

- Median unit measure price based on AWP-priced NDCs is determined for each cohort and applied to all NDCs in the cohort. If there is not at least one AWP-priced NDC in the cohort, the median unit measure price based on PVP-priced NDCs is determined for each cohort and applied to all NDCs in the cohort

- The raw file is then processed to apply median AWP (or PVP) prices to all NDCs in the GSN/UM cohorts

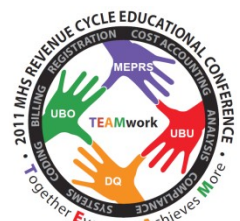Current UBO Retail PDTS Pharmacy Rating Methodology

- Extract the Retail PDTS data set (Using Source System = "M") including fields: NDC, Ingredient Cost, and Quantity Dispensed

- Calculate retail PDTS unit measure prices at a NDC level for the approx. 47,000 drugs by dividing ingredient cost by quantity

- Group the retail PDTS unit measure prices by NDC into their respective GSN cohorts

- Calculate the median PDTS Retail unit measure price for each GSN cohort (of grouped NDCs) and create a unique table of GSN and PDTS median unit measure prices

Current UBO Retail PDTS Pharmacy Rating Methodology

- Apply the derived GSN PDTS Retail unit measure prices to all NDCs in the MCPF where the GSN of the NDC in the MCPF matches a GSN in the PDTS Retail set

- Calculate the average dispensing fee based on PDTS Retail scripts filled by dividing the total dispensing dollar amount by the number of retail scripts

- Determine the final charge as the sum of the NDC unit measure price applied to the quantity dispensed plus a dispensing fee

Sample UBO Pharmacy Rate File

NDC	NAME	DOSE FORM	DRUG STRENGTH	0211 UNIT_PRICE
00002060440	SEROMYCIN 250 MG PULVULE	CA		$5.68
00002140701	QUINIDINE GLUC 80 MG/ML VIAL	HV		$1.34
00002148501	CAPASTAT SULFATE 1 GM VIAL	HS		$21.71
00002300475	PROZAC WEEKLY 90 MG CAPSULE	CE		$12.72
00002314530	AXID 300 MG PULVULE	CA		$1.30
00002322730	STRATTERA 10 MG CAPSULE	CA		$4.65
00002322830	STRATTERA 25 MG CAPSULE	CA		$6.14
00002322930	STRATTERA 40 MG CAPSULE	CA		$4.69
00002323030	SYMBYAX 3-25 MG CAPSULE	CA		$7.86
00002323101	SYMBYAX 6-25 MG CAPSULE	CA		$10.90
00002323130	SYMBYAX 6-25 MG CAPSULE	CA		$10.90
00002323133	SYMBYAX 6-25 MG CAPSULE	CA		$10.90
00002323201	SYMBYAX 12-25 MG CAPSULE	CA		$13.31
00002323230	SYMBYAX 12-25 MG CAPSULE	CA		$13.31
00002323233	SYMBYAX 12-25 MG CAPSULE	CA		$13.31
00002323301	SYMBYAX 6-50 MG CAPSULE	CA		$10.83
00002323330	SYMBYAX 6-50 MG CAPSULE	CA		$10.83
00002323333	SYMBYAX 6-50 MG CAPSULE	CA		$10.83
00002323401	SYMBYAX 12-50 MG CAPSULE	CA		$16.48
00002323430	SYMBYAX 12-50 MG CAPSULE	CA		$16.48
00002323433	SYMBYAX 12-50 MG CAPSULE	CA		$16.48
00002323560	CYMBALTA 20 MG CAPSULE	CE		$3.74
00002323701	CYMBALTA 60 MG CAPSULE	CE		$4.23
00002323704	CYMBALTA 60 MG CAPSULE	CE		$4.23
00002323730	CYMBALTA 60 MG CAPSULE	CE		$4.23
00002323733	CYMBALTA 60 MG CAPSULE	CE		$4.23
00002323734	CYMBALTA 60 MG CAPSULE	CE		$4.23
00002323830	STRATTERA 18 MG CAPSULE	CA		$4.65
00002323930	STRATTERA 60 MG CAPSULE	CA		$4.84
00002324001	CYMBALTA 30 MG CAPSULE	CE		$4.00

Current Pharmacy Rates File Summary

The February 2011 Effective UBO pharmacy rate file is

- Based on the November 2010 Managed Care Pricing File (MCPF)

- Contains unit measure rates for 130,586 NDCs

- 25% of NDC (32,482) pricing based on median AWP pricing

- 72% of NDC (93,709) pricing based on PDTS median pricing

- 3% of NDC (3,911) pricing based on single source pricing

- <1% of NDC (484) pricing based on median PVP pricing

Current Pharmacy Rates File Summary

- Breakdown of the 36,877 NDCs NOT priced using Retail PDTS median pricing:

  - Approximately 80% are Over-the-Counter Priced NDCs

  - Approximately 20% are Formulary Priced (require a prescription) NDCs

- The Managed Care Pricing File (MCPF) database field CL_CD identifies whether these NDCs are over-the-counter drugs or formulary drugs. This is an original data field in the MCPF

PDTS Retail Dispensing Fee Methodology

- To determine an appropriate UBO per script dispensing fee that uses the same PDTS Retail Rate calculation methodology

  - Using SAS, write a program that queries the FY10 PDTS database

  - Extract the following fields: FY, Source System (= 'M'), NDC, Dispensing Fee, Number of Scripts

  - Divide the Total FY10 Dispensing Fee Cost ($ amount) by the Total number of FY10 scripts – again, limiting the cost and script count to only retail-filled scripts

  - The FY10 Average Retail Dispensing Fee is calculated and rounded up to the system-loaded $2.00 per script

PDTS Retail Dispensing Fee Methodology

$1.85 Rounded to $2.00

MDR PDTS Retail (Source System = 'M') Dispensing Fee Data				
Time Period: FY09				
NDC	**NDC Count**	**Total NDC Count**	**Total Cost Dispense Fee Per NDC**	**Mean Dispense Fee p**
99207046330	124.00	124.00	$231.75	$1.86
99207046430	35.00	35.00	$65.10	$1.86
99207048805	2.00	2.00	$0.00	$0.00
99207049010	8.00	8.00	$10.00	$1.25
99207049110	3.00	3.00	$6.50	$2.16
99207049250	26.00	26.00	$48.25	$1.85
99207050117	1.00	1.00	$2.50	$2.50
99207050413	1.00	1.00	$2.50	$2.50
99207050644	1.00	1.00	$2.50	$2.50
99207050646	5.00	5.00	$9.00	$1.80
99207050713	1.00	1.00	$1.50	$1.50
99207051117	1.00	1.00	$0.00	$0.00
99207051413	1.00	1.00	$2.00	$2.00
99207051414	1.00	1.00	$2.00	$2.00
99207051417	2.00	2.00	$4.00	$2.00
99207052510	1,043.00	1,043.00	$1,871.30	$1.79
99207052530	979.00	979.00	$1,826.60	$1.86
99207052560	2,048.00	2,048.00	$3,713.70	$1.81
99207074106	342.00	342.00	$571.75	$1.67
99207074112	290.00	290.00	$488.68	$1.68
99207074404	314.00	314.00	$581.70	$1.85
99207074530	149.00	149.00	$243.90	$1.63
99207074560	303.00	303.00	$557.70	$1.84

Communication Activities for Rate Update

- Coordinate new rates with TMA Pharmacy Community
- Brief Resource Management Steering Committee (RMSC)
- Brief UBO Advisory Working Group (AWG)
- Hold open Webinars for MTF UBO staff and other interested parties regarding the updated pharmacy rates
- Notify DoD Education Activity (DoDEA) on upcoming rate update
- Publish an article in the UBO quarterly newsletter
- Release Pharmacy Price Estimator to allow pay patients at MTFs to view prices so they can make informed purchasing decisions
- Release new rates package in February 2011
- Anticipate a mid-year Pharmacy Rate update near July 2011
- Other communication activities as needed

Pharmacy Price Estimator

Determining Pharmaceutical Pricing Prospectively

- Problem: Patients may not have MHS pharmaceutical pricing data and therefore cannot compare costs

- Proposed solution: Pharmacy Pricing Estimator – Encourage MTF pharmacy to work with MTF UBO in making tool available to pay patients

- The estimator tool is available via the UBO Website

  http://www.tricare.mil/ocfo/mcfs/ubo/mhs_rates/pharmacy.cfm

Pharmacy Price Estimator

- Microsoft® Access-based tool available to all users
- Patients can inquire about prescription costs to allow for price comparison
- Search by drug name or NDC
- The total cost is the unit price in the pharmacy rate file multiplied by the quantity
- New version of the estimator released with each pharmacy rate table update
- Can be downloaded by following a link on the OCFO UBO Website

Pharmacy Pricing Estimator Tool (PPET)

Interactive Tool Demo

Please contact the UBO Helpdesk if you have any questions or concerns at (703) 575-5385 or UBO.helpdesk@altarum.org